



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

INFORMATIONAL MEMORANDUM

TO: All Reinsured Companies
All Risk Management Agency Field Offices

FROM: Kenneth D. Ackerman /s/ Pat Engle 8-30-00
Administrator

SUBJECT: Claims Advisory - Sugar Payment In Kind (PIK) Program

BACKGROUND:

Two issues have been raised concerning sugar beets:

1. Sugar beet processors in the Red River Valley have rejected sugar beets with damage of 50% or greater due to root rot. The damaged sugar beets cannot be stock piled or stored, as rotting will continue. These sugar beets have been determined to have no value. Since many of the sugar beets rejected prior to the processor's earliest delivery date are of no value, how will production to count be determined for such acreage?
2. The Department of Agriculture recently announced a sugar PIK program to be administered by the Farm Service Agency (FSA) to divert sugar beet acreage from production. FSA issued Notice SU-60 on August 18, 2000, to provide policies and procedures for implementing the 2000 Sugar PIK program. A copy of this notice is available on the FSA web site at: www.fsa.usda.gov/dam/forms/fsanotices.asp. The Risk Management Agency (RMA) has been asked how the sugar PIK program will impact the administration of sugar beet crop insurance contracts.

The purpose of this Informational Memorandum is to respond to questions pertaining to determining production for sugar beets with root rot and the sugar PIK program and its implications for a producer's crop insurance policy.



1400 Independence Ave., SW • Stop 001 • Washington, DC 20250-0805

The Risk Management Agency Administers and Oversees
All Programs Authorized Under the Federal Crop Insurance Corporation

An Equal Opportunity Employer

ACTION:**1. How is tonnage computed for unharvested sugar beets that do not meet minimum acceptable standards contained in the sugar beet processor contract?**

Insurance providers are reminded that the Sugar Beet Crop Provisions (98-039) and the Sugar Beet Loss Adjustment Standards, FCIC 25450, require appraisals of production to count for acreage damaged to the extent that the processor has released or rejected those acres and will not accept them for processing.

These current provisions, as well as Bulletin MGR-00-006, contain procedures for determining production to count for unharvested sugar beets prior to and after the earliest delivery date that processors accept production from any producer. Sugar beets rejected by a processor **prior** to the earliest delivery date will be appraised by the insurance provider. If the insured agrees with the appraisal the claim is finalized and the acreage is released. If the insured does not agree with the appraisal, the Sugar Beet Crop Provisions allow the insured to maintain representative samples or to continue to care for the crop. The amount of production to count for such acreage will be based on the harvested production or appraisals from the samples at the time harvest should have occurred.

The value of the sugar beets in the representative samples or damaged acreage not meeting the minimum acceptable standards contained in the sugar beet processor contract can be determined for appraisals **after** the earliest date the processors will accept production from any producer. If the damaged sugar beets have no value, then the production to count from the appraised acreage will be zero.

2. Who will appraise the PIK acres to be released?

There is no FSA requirement to appraise acres under the PIK program. As part of the agreement, a producer who bids acres into the PIK program must certify that no crop insurance indemnity payment (including replant payment) has been received, applied for, nor will be applied for on the acres bid.

Producers will need an appraisal for insurance purposes from their insurance provider. Failure of the producer to obtain an appraisal could adversely affect Actual Production History (APH) approved yields for future crop years. Insured producers should immediately contact their insurance agent if they plan to enroll acreage in the PIK program. The insurance provider should remind the insured that premium is due and payable for any insured acreage that is enrolled in the PIK program.

3. Can acres damaged by root rot be submitted for the PIK program?

Any acreage that meets ALL of the following is eligible to be bid:

1. Is under contract with a processor;
2. Is planted to sugar beets;
3. The acres are harvestable and would be harvested for sugar for use as refined sugar;
and
4. An insurance indemnity payment (including replant payment) has not been received, applied for, nor will be applied for on the acres.

Acreage released by the processor due to root rot or other diseases will not be eligible for the PIK program since that production cannot be harvested for sugar for use as refined sugar.

4. Can insured producers collect PIK and a crop insurance indemnity on the same acres?

No, FSA requirements prohibit acreage bid into PIK from receiving a crop insurance indemnity or replant payment. The producer will be required to certify to the criteria in answer #3.

Any eligible crop loss indemnity will be paid according to Sugar Beet Crop Provisions.

5. How will acres be handled for APH?

For APH purposes, planted acres and all appraised and harvested production to count are used. Acres accepted into the PIK program are part of the insured unit and premium earned on those acres will be due.

If an agreement on the appraised amount is not reached (immature sugar beets), and the insured agrees to care for representative sample areas, the production to count for APH purposes will be the production from the harvested and appraised (mature sugar beet) sample areas.

Whenever any acreage is destroyed for PIK and not appraised, nor consent given by the insurance provider to destroy such acreage, then the production guarantee charged to such acreage as an uninsured cause of loss will not be used for APH purposes.

6. If part of a unit is put in PIK and the remainder is damaged later, how will the loss be handled?

Production to count for damaged acreage will be determined according to current crop provisions and loss adjustment standards.

If an appraisal is requested by the insured producer for acreage going into PIK, the appraisal will be

used as production to count for the claim.

INFORMATIONAL MEMORANDUM

4

If an appraisal was not requested by the producer for PIK acreage and the balance of the acreage or unit is damaged, not less than the production guarantee for the applicable stage will be applied to the PIK acreage if that acreage has been destroyed and is no longer available for appraisal.

DISPOSAL:

This Information Memorandum is for the purpose of providing information and does not change existing policy or procedure. The disposal date is March 31, 2001.